

S109D1C-0105

**VIRGINIA DEPARTMENT OF TRANSPORTATION
SPECIAL PROVISION FOR
PRICE ADJUSTMENT FOR STEEL**

November 29, 2004

The Department will adjust monthly progress payments up or down as appropriate for cost changes in steel used on specific items of work identified in the contract in accordance with this provision. The following steel items will be eligible for consideration under this provision: structural steel (rolled beams, plate girders, diaphragms, plate bearings, etc.), reinforcing steel (plain & epoxy coated), overhead sign structures, guardrail, posts, standard sign or lighting supports, railing, encasement pipe, H-piles (end bearing or friction), steel strand (used for pre-tensioned or post-tensioned finished elements) and sheet piles. Inventoried materials from the listing of eligible items are specifically excluded for consideration.

The requirements of this provision shall apply only to material cost changes that occur between the date of bid opening and the date the material is shipped to the fabricator. To be eligible for this price adjustment, the Contractor, subcontractor and/or supplier is required to place his purchase order for eligible steel items for price adjustment (as identified in the contract) within 30 days after execution of this contract with the Department so as to better ensure reduced cost for steel used in such items and receipt of such items in a timely manner that shall not adversely affect his progress schedule or contract completion date. Further, in order for steel items to be eligible for adjustment, once shipped to the fabricator, the items shall be specifically stored, labeled, or tagged, recognizable by color marking, and identifiable by project for inspection and audit verification.

This provision allows for price adjustment for embedded steel used for pre-tensioned or post-tensioned precast components where furnishing steel is included in the unit price of the finished bid item. Steel used for post-tensioned or pre-tensioned elements shall be evaluated for price adjustment in the same manner as other steel material eligible under the requirements of this provision except that adjustment shall only apply to the tonnage or poundage of steel strand used in the pre-tensioned or post-tensioned element. This provision shall only apply to material cost changes of steel strand that occur between the date of bid opening and the date the strand material is shipped to the Contractor, subcontractor or supplier/fabricator who is placing the steel into the finished component.

Within 15 days after the date of the Award letter, the Contractor shall submit material price quotes, bid papers, or other documentation satisfactory to the Department for the bid items listed in the Contract for which it is requesting a steel price adjustment. This documentation shall support the completion of the form establishing the average price per pound for the eligible steel bid item. The Contractor must use the format as shown with this provision; no other format for presenting this information will be permitted. The Contractor shall certify that all items of documentation are original and were used in the computation of the amount bid for the represented eligible pay items for the month bids were opened. This documentation shall support the base line material price ("Base Price") of the steel item only. No adjustment will be made for changes in other components of the contract unit bid price, including, but not limited to, fabrication, shipping, storage, handling, and erection.

Failure to submit specifically required information such as purchase order, price data, bill of lading, material information or other requested information as noted herein will result in the Contractor not being eligible for price adjustment of steel items.

Price adjustment of each qualifying item under consideration will take effect if and when the following condition is met:

There is an increase or decrease in the cost of eligible steel materials in excess of 10 percent up to a maximum of 60 percent from the Base Price when compared with the latest published price index ("Price Index") in effect at the time material is shipped to the fabricator.

The Price Index the Department is using is based on The U.S. Department of Labor, Bureau of Labor Statistics, Producers Price Index (PPI) that measures the percentage of price change over time from the perspective of the seller of goods. The specific Producers Price Index (PPI) to be used to adjust the price for the eligible VDOT steel items is shown in the table below. **Please note:** The Producers Price Index (PPI) is subject to revision 4 months after original publication, therefore, price adjustments and payments will not be made until the index numbers are finalized.

The following table indicates the Producers Price Index (PPI) steel category index items & corresponding I.D. numbers with which VDOT items will be compared:

VDOT Pay Item	Bureau of Labor Statistics PPI Series I. D. Number WPU#
Reinforcing steel (plain & epoxy coated) Steel Strand (Pre-tensioning & Post-tensioning)	101704
Plate girders & rolled beams (St'd. & High strength, diaphragms, plate bearings, etc.) Steel piling (H-pile & sheet)	Average of 1017 & 101
Steel encasement pipe Overhead sign structures, posts, poles, guardrail, sign or lighting supports, & railing	101706
Guardrail	Average of 1017 & 101707

The price adjustment will be determined by computing the percentage difference in index value beyond 10 percent above or below the index on the bid date to the index value on the date the steel material is shipped to the fabricator (Please see included sample examples). Weights and date of shipment must be documented by a bill of lading provided to the Department. The final price adjustment dollar value will be determined by multiplying this percent increase or decrease in the index (after 10%) by the represented quantity of steel shipped, by the Base Price per pound subject to the limitations herein.

Price increase/decrease will be computed as follows:

$$A = B \times P \times Q$$

- Where;
- A = Steel price adjustment in lump sum dollars
 - B = Average weighted price of steel submitted with bid on project in \$ per pound
 - P = Adjusted percent difference in PPI average from shipping date to bid date minus 10% (0.10) threshold
 - Q = Total quantity of steel in pounds shipped to fabricator for specific project

Delays to the work caused by steel shortages may be justification for a contract time extension but will not constitute grounds for claims for standby equipment, extended office overhead, or other costs associated with such delays.

The need for application of the adjustments herein to extra work will be determined by the Engineer on an individual basis and, if appropriate, will be specified on the Work Order.

This price adjustment is capped at 60 percent. This means the maximum "P" value for increase or decrease that can be used in the above equation is 50% (60%-10% threshold).

Calculations for price adjustment shall be shown separate from the monthly progress estimate and will not be included in the total cost of work for determination of progress or for extension of contract time.

Any apparent attempt to unbalance bids in favor of items subject to price adjustment may result in rejection of the bid proposal.

8-Apr-04

Sample Form to be turned in for Steel Price Adjustment Provision
(All prices to be supported by project-specific quotes)

BID DATE

28-Apr-04

Bid Item 61720 High Strength Structural Steel

Supplier	Description of material	Unit price f.o.b supplier \$/lbs	Quantity In lbs.	Price Extension	Date of Quote
XYZ mill	Structural beams Various sizes (see quote)	\$0.28	1,200,000	\$336,000.00	21-Apr-04
ABC distributing	Various channel & angle shapes (see quote)	\$0.32	35,000	\$11,200.00	20-Apr-04

Total 1,235,000 \$347,200.00

Average weighted price = \$0.2816

Note: All prices are to include any surcharges on materials quoted as if they are shipped in the month the bid is submitted. Vendors must include this surcharge along with their base price on their quotes.

Reinforcing Bar (plain)

Reinforcing Bar (epoxy coated)

H- piles

Guardrail

Posts

Pipe Encasements

8-Apr-04

Sample Calculation of a Price Adjustment (increase)

Project bid on April 28, 2004.

Project has 450,000 lb. of structural steel.

Orders placed in timely manner and according to contract.

Contractor's *f.o.b. supplier price for the structural steel in bid is \$0.2816 per pound. *free on board

Adjusted** BLS Producers Price Index (PPI) most recently published average at time of bid is 139.6.

** final change
after 4 months

All steel shipped to fabricator in same month, October 2004.

Adjusted BLS Producers Price Index (PPI) most recently published average for month of October is 161.1

Adjustment formula is as follows:

$$A = B \times P \times Q$$

Where; A = Steel price adjustment in lump sum dollars

B = Average weighted price of steel submitted with bid on project in \$ per pound

P = Adjusted percent difference in PPI average from shipping date to bid date minus 10% (0.10) threshold

Q = Total quantity of steel shipped to fabricator in October 2004 for this project in pounds

$$B = \$0.2816$$

$$P = (161.1 - 139.6) - 10 = 21.5\% - 10\% = 11.5\% \text{ or } 0.115$$

$$Q = 450,000 \text{ lb.}$$

$$A = 0.2816 \times 0.115 \times 450,000$$

$$A = \$14,572.80$$

8-Apr-04

Sample Calculation of a Price Adjustment (decrease)

Project bid on April 28, 2004.

Project has 450,000 lb. of structural steel.

Orders placed in timely manner and according to contract.

Contractor's *f.o.b. supplier price for structural steel in bid is \$0.2816 per pound. *free on board

Adjusted BLS Producers Price Index (PPI) most recently published average at time of bid is 156.6.

All steel shipped to fabricator in same month, October 2004.

Adjusted BLS Producers Price Index (PPI) most recently published average for month of October is 136.3

Adjustment formula is as follows:

$$A = B \times P \times Q$$

Where;

- A = Steel price adjustment in lump sum dollars
- B = Average weighted price of steel submitted with bid on project in \$ per pound
- P = Adjusted percent difference in PPI average from shipping date to bid date minus 10% (0.10) threshold
- Q = Total quantity of steel shipped to fabricator in October 2004 for this project in pounds

$$B = \$0.2816$$

$$P = (156.6 - 136.3) - 10 = 20.3\% - 10\% = 10.3\% \text{ or } 0.103$$

$$Q = 450,000 \text{ lb.}$$

$$A = 0.2816 \times 0.103 \times 450,000$$

$$A = \$13,052.16 \text{ credit to Department}$$